

VILLAGE OF ARMADA
Macomb County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended March 31, 2008

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VILLAGE OF ARMADA	County	MACOMB	Type	VILLAGE	MuniCode	50-3-010
Opinion Date-Use Calendar	Jul 15, 2008	Audit Submitted-Use Calendar	Aug 4, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 793,941.00
General Fund Expenditure:	\$ 767,976.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 477,186.00
Governmental Activities Long-Term Debt (see instructions):	\$ 137,283.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	GLEN	Last Name	MCBRIDE	Ten Digit License Number	1101008018		
CPA Street Address	1115 S PARKER	City	MARINE CITY	State	MI	Zip Code	48039
CPA Firm Name	MCBRIDE, MANLEY & MILL	Unit's Street Address	1115 S PARKER	City	MARINE CITY	LU Zip	48039

VILLAGE OF ARMADA

TABLE OF CONTENTS

	<i>Page</i>
Management's Discussion and Analysis	i-iv
Independent Auditors' Report	1-2
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes	
in Fund Balance - Governmental Funds	7
Reconciliation of the Governmental Funds	
Statement of Revenues, Expenditures, and	
Changes in Fund Balance with the Statement	
of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes	
in Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Fiduciary Net Assets	12
General Fund - Statement of Revenues, Expenditures,	
and Changes in Fund Balance - Budget	
and Actual	13
Major Street Fund - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	14
Local Street Fund - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	15
Municipal Street Fund - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	16
Notes to Financial Statements	17-28
Supplemental Information	
<i>Component Units:</i>	
Combining Statement of Net Assets	29
Combining Statement of Activities	30



VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets increased 4.6% from a year ago from \$8,207,000 to \$8,583,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased by approximately \$363,000 during the year (16.1% increase). This was the result of an increase in General Fund net assets. The business-type activities experienced a \$13,000 increase in net assets, primarily as a result of Water Fund net income of \$121,000 offset by a loss in the Sewer Fund of approximately \$108,000. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current Assets	\$ 978	\$ 1,118	\$ 1,333	\$ 1,288	\$ 2,284	\$ 2,370
Noncurrent Assets	1,580	1,818	8,403	8,126	9,983	9,944
Total Assets	2,558	2,936	9,736	9,414	12,267	12,314
Long-Term Debt Outstanding	141	137	3,692	3,299	3,834	3,437
Other Liabilities	170	190	84	141	226	294
Total Liabilities	311	327	3,776	3,440	4,060	3,731
Net Assets					30,370	
Invested in Capital Assets - Net of Debt	1,418	1,642	4,646	4,719	6,064	6,361
Restricted	374	496	809	741	1,183	1,237
Unrestricted	455	471	505	514	960	985
Total Net Assets	\$ 2,247	\$ 2,609	\$ 5,960	\$ 5,974	\$ 8,207	\$ 8,583

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$16,000 for the governmental activities. This represents an increase of approximately 3.5%. The current level of unrestricted net assets for our governmental activities stands at \$471,000, or about 52% of expenditures. This exceeds the targeted range set by the Village during its last budget process.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2008

The following table shows the changes in net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Program Revenues						
Charges for Services	\$ 44	\$ 49	\$ 931	\$ 783	\$ 975	\$ 832
Operating Grants and Contributions	183	109	--	--	183	109
Capital Grants and Contributions	--	--	--	--	--	--
General Revenues						
Property Taxes	591	613	--	--	591	613
State-Shared Revenues	156	154	--	--	156	154
Unrestricted Investment Earnings	22	20	30	23	52	43
Other	20	46	--	--	20	46
Transfers	(33)	284	--	--	(33)	264
Total Revenues	963	1,275	961	806	1,924	2,081
Program Expenses						
General Government	159	178	--	--	159	178
Public Safety	314	318	--	--	314	318
Public Works, including Highways and Streets	271	319	--	--	271	319
Legislative	13	13	--	--	13	13
Community and Economic Development	10	2	--	--	10	2
Recreation and cultural	--	4	--	--	--	4
Other	106	69	--	--	106	69
Debt Service	10	9	--	--	10	9
Water	--	--	341	327	341	327
Sewer	--	--	469	466	469	466
Total Expenses	883	912	810	793	1,693	1,705
Change in Net Assats	\$ 80	\$ 363	\$ 151	\$ 13	\$ 231	\$ 376

The Village's net assets continue to remain healthy. Net assets grew by \$376,000. This was primarily because of excess revenues in the Water Fund and General Fund.

Governmental Activities

The Village's governmental activities consist of the General Fund, the Major Street Fund, the Local Street Fund, and the Municipal Street Fund. The governmental activities experienced an increase in net assets due to a contribution of fixed assets from a component unit of approximately \$273,000.

Business-Type Activities

The Village's business-type activities consist of the Water and Sewer Funds. The Village provides water and sewer to all Village residents (approximately 1,600). The Village experienced a decrease in our net operating income. This was due primarily to an increase in expenses associated with sewer operations.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2008

The Village's Funds

Our analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Municipal Street Fund.

The General Fund pays for most of the Village's governmental services. The most significant are public safety, general government, and public works, which incurred expenses totaling approximately \$615,000. These three functions are primarily supported by property taxes and State shared revenues totaling approximately \$597,000.

General Fund Budgetary Highlights

Over the course of the year, the Village made amendments to the original budget. The General Fund incurred expenses less than those budgeted by \$33,000, resulting in total expenditures of \$768,000. The General Fund's fund balance increased from \$451,000 a year ago to \$477,000 at March 31, 2008.

Capital Asset and Debt Administration

At the end of March 31, 2008, the Village had \$9,944,000 invested in a broad range of capital assets, including buildings, police, public works equipment, and water and sewer lines. In addition, the Village has invested significantly in roads within the Village. Roads constructed prior to April 1, 2003, are not reported on the Village's financial statements.

Economic Factors and Next Year's Budgets and Rates

The Village budget for the year, including March 31, 2009, does not anticipate an increase in property tax rates. Because of the impact of Proposal A, however, the Village needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Village may grow less than by inflation, before considering new construction.

Water and sewer rates are scheduled to rise at the rate of increase in the Consumer Price Index on an annual basis.

The Sewer Fund is expected to continue to incur net operating losses for the fiscal year ending March 2009. However, current budget projections indicate sufficient cash flow to meet its current obligations.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2008

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.



**McBride, Manley
& Miiller P.C.**

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

INDEPENDENT AUDITOR'S REPORT

July 15, 2008

Village Council
Village of Armada
74274 Burk Street
P.O. Box 903
Armada, Michigan 48005

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the VILLAGE OF ARMADA, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through iv, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining component unit financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



MCBRIDE, MANLEY & MÜLLER P.C.
Certified Public Accountants



**Village of Armada
Statement of Net Assets
March 31, 2008**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 982,593	\$ 370,833	\$ 1,353,426	\$ 159,697
Prepaid and other assets	1,281	1,149	2,430	--
Other assets	4,719	--	4,719	--
Due from component unit	5,153	--	5,153	--
Investments	77,609	--	77,609	--
Restricted cash	--	679,886	679,886	--
Accounts and assessment receivable	6,797	183,574	190,371	--
Restricted accounts receivable	--	16,965	16,965	--
Due from State	16,746	--	16,746	--
Due from other units of government	23,238	--	23,238	--
Fixed assets net of accumulated depreciation	1,817,860	8,126,024	9,943,884	11,988
Bond issuance cost	--	--	--	11,444
Bond discount	--	--	--	5,557
<i>Internal Balances*</i>	258	35,081	--	--
Total Assets	2,936,254	9,413,512	12,314,427	188,686
Liabilities				
Accounts payable	10,121	23,954	34,075	--
Accrued wages and benefits	45,424	8,103	53,527	--
Due to other units and taxpayers	--	--	--	5,153
Deferred revenue	56,471	--	56,471	--
Other current liabilities	2,200	--	2,200	--
Accrued interest	2,473	--	2,473	--
Current portion of long-term debt	38,189	108,041	146,230	5,000
Bonds and loans payable	137,283	3,125,242	3,262,525	385,000
Bonds to be paid from restricted assets	--	173,903	173,903	--
<i>Internal Balances*</i>	35,081	258	--	--
Total Liabilities	327,242	3,439,501	3,731,404	395,153
Net Assets				
<i>Restricted for:</i>				
Invested in fixed assets net of related debt	1,642,388	4,718,839	6,361,227	--
Special revenue	495,671	--	495,671	--
Debt service and asset replacement	--	740,936	740,936	--
<i>Unrestricted</i>	470,953	514,236	985,189	(206,467)
Total Net Assets	\$ 2,609,012	\$ 5,974,011	\$ 8,583,023	\$ (206,467)

* Amounts have been offset in the total column.



Village of Armada
Statement of Activities
For the Year Ended March 31, 2008

Functional/Programs	Expenses	Program Revenues		Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
Primary Government						
Governmental Activities:						
Legislative	\$ 13,000	\$ -	\$ -	\$ -	\$ (13,000)	\$ -
General government	178,398	8,000	8,516	-	(161,882)	-
Public safety	317,764	37,877	5,556	-	(274,331)	-
Public works	189,813	-	-	-	(189,813)	-
Planning and economic development	2,243	800	-	-	(1,443)	-
Recreation and cultural	3,655	-	320	-	(3,335)	-
Insurance	31,814	-	-	-	(31,814)	-
Other	36,937	-	-	-	(36,937)	-
Debt - interest	8,800	-	-	-	(8,800)	-
Highways and streets	129,147	1,823	94,917	-	(32,407)	-
Total Governmental Activities	911,571	48,500	109,309	-	(753,762)	-
Business-type Activities:						
Sewer Fund	466,298	365,647	-	-	-	(100,651)
Water Fund	326,815	417,610	-	-	-	90,795
Total Business-type Activities	793,113	783,257	-	-	-	(9,856)
Total Primary Government	\$ 1,704,684	\$ 831,757	\$ 109,309	-	\$ (753,762)	\$ (9,856)
Component Units:						
Downtown Development Authority	\$ 310,277	\$ -	\$ -	\$ -	-	(310,277)
Total Component Units	\$ 310,277	\$ -	\$ -	\$ -	-	(310,277)
General Purpose Revenues and Transfers:						
Revenues						
Property taxes		612,548	-	-	612,548	24,438
Distributions from State		154,310	-	-	154,310	-
Miscellaneous revenue		24,376	-	-	24,376	7,070
Interest and dividend revenue		19,836	-	-	19,836	6,698
Administrative charges		17,236	-	-	17,236	-
Intergovernmental reimbursements		4,195	-	-	4,195	-
Interest revenue		-	-	23,318	23,318	-
Transfers from component units		283,763	-	-	283,763	-
Transfers						
Total General Revenues and Transfers		1,116,264	23,318	-	1,139,582	38,206
Change in Net Assets		362,502	13,462	-	375,964	(272,071)
Net Assets at Beginning of Period		2,246,510	5,960,549	-	8,207,059	65,604
Net Assets at End of Period		\$ 2,609,012	\$ 5,974,011	-	\$ 8,583,023	\$ (206,467)



**Village of Armada
Balance Sheet
Governmental Funds
March 31, 2008**

	Special Revenue				Total
	General Fund	Local Street Fund	Major Street Fund	Municipal Street Fund	Governmental Funds
Assets					
Cash and cash equivalents	\$ 597,053	\$ 46,067	\$ 76,614	\$ 262,859	\$ 982,593
Investments	--	--	--	77,609	77,609
Accounts and assessment receivable	8,658	--	--	2,126	10,784
Due from State	--	4,571	12,175	--	16,746
Due from other units of government	23,238	--	--	--	23,238
Due from component unit	5,153	--	--	--	5,153
Due from other funds	4,236	5,590	3,969	36,289	50,084
Total Assets	\$ 638,338	\$ 56,228	\$ 92,758	\$ 378,883	\$ 1,166,207
Liabilities					
Accounts payable	\$ 6,328	\$ 1,145	\$ 191	\$ 2,457	\$ 10,121
Accrued wages and benefits	35,650	138	393	--	36,181
Deferred revenue	60,435	--	--	1,554	61,989
Other current liabilities	2,200	--	--	--	2,200
Due to other funds	56,539	2,691	25,677	--	84,907
Total Liabilities	161,152	3,974	26,261	4,011	195,398
Fund Equity					
<i>Unreserved reported in:</i>					
General Fund	477,186	--	--	--	477,186
Special Revenue	--	52,254	66,497	374,872	493,623
Total Fund Equity	477,186	52,254	66,497	374,872	970,809
Total Liabilities and Equity	\$ 638,338	\$ 56,228	\$ 92,758	\$ 378,883	\$ 1,166,207



**Village of Armada
Reconciliation of Governmental Funds Balance Sheet
with the Statement of Net Assets
March 31, 2008**

Total Fund Balance - Governmental Funds	\$ 970,809
Fixed assets capitalized in Statement of Net Assets are expensed and not reflected in governmental fund balance sheets.	1,817,860
Revenue amounts earned, but not received within sixty days, are treated as deferred revenue in governmental fund balance sheets.	1,531
Prepaid expenses reflected in Statement of Net Assets are expenses as paid in the governmental fund statements.	6,000
Long-term liabilities, including loans and bonds, not due in the current period are not reflected in the governmental fund balance sheets.	(177,945)
Amounts due for compensated absences are not expensed until paid in governmental funds. These are reflected as liabilities and expensed when accrued in the entity-wide statements.	(9,243)
Total Net Assets-Governmental Funds	\$ <u>2,609,012</u>



Village of Armada
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

		Special Revenue			Total
	General Fund	Local Street Fund	Major Street Fund	Municipal Street Fund	Governmental Funds
Revenues					
Property taxes	\$ 437,353	\$ --	\$ --	\$ 174,769	\$ 612,122
Distributions from State	159,866	25,903	69,014	--	254,783
Distributions from other units of government	8,516	--	--	--	8,516
Licenses, permits, fines, and fees	36,177	--	--	--	36,177
Miscellaneous revenue	33,196	--	2,000	1,823	37,019
Interest and dividend revenue	14,025	69	263	5,479	19,836
Administrative charges	19,422	--	--	--	19,422
Intergovernmental reimbursements	32,288	--	--	--	32,288
Total Revenues	740,843	25,972	71,277	182,071	1,020,163
Expenditures					
Legislative	13,000	--	--	--	13,000
General government	158,977	2,590	4,106	984	166,657
Public safety	362,414	--	--	--	362,414
Public works	94,375	--	--	--	94,375
Planning and economic development	2,243	--	--	--	2,243
Recreation and cultural	18,641	--	--	--	18,641
Insurance	33,036	--	--	--	33,036
Highways and streets	--	65,358	63,115	37,322	165,795
Other	36,937	--	--	--	36,937
Debt - interest	8,800	--	--	--	8,800
Debt - principal	39,553	--	--	--	39,553
Total Expenditures	767,976	67,948	67,221	38,306	941,451
Excess of Revenues Over					
(Under) Expenditures	(27,133)	(41,976)	4,056	143,765	78,712
Other Financing Sources (Uses)					
Proceeds from loans	53,098	--	--	--	53,098
Transfers from component units	--	--	7,553	3,000	10,553
Transfers from other funds	--	89,000	19,000	--	108,000
Transfers to other funds	--	--	--	(108,000)	(108,000)
Net Other Financing Sources (Uses)	53,098	89,000	26,553	(105,000)	63,651
Net Change in Fund Balance	25,965	47,024	30,609	38,765	142,383
Fund Balance at Beginning of Period	451,221	5,230	35,888	336,107	828,446
Fund Balance at End of Period	\$ 477,186	\$ 52,254	\$ 66,497	\$ 374,872	\$ 970,809



Village of Armada
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balance with the Statement of Activities
March 31, 2008

Total Net Change in Fund Balances - Governmental Funds	\$ 142,363
Fixed assets capitalized in Statement of Net Assets are expensed and not reflected in governmental fund balance sheets.	238,250
Revenue amounts earned, but not received within sixty days, are treated as deferred revenue in governmental fund balance sheets.	426
Prepaid expenses reflected in Statement of Net Assets are expenses as paid in the governmental fund statements.	697
Long-term liabilities, including loans and bonds, not due in the current period are not reflected in the governmental fund balance sheets.	(13,154)
Amounts due for compensated absences are not expensed until paid in governmental funds. These are reflected as liabilities and expensed when accrued in the entity-wide statements.	(6,080)
Change in Net Assets-Governmental Activities	\$ <u>362,502</u>



**Village of Armada
Statement of Net Assets
Proprietary Funds
For the Year Ended March 31, 2008**

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 87,475	\$ 283,358	\$ 370,833
Restricted cash	459,521	220,365	679,886
Accounts and assessment receivable	74,788	108,786	183,574
Restricted accounts receivable	16,965	--	16,965
Prepaid and other assets	311	838	1,149
Due from other funds	2,875	49,807	52,682
Total Current Assets	641,935	663,154	1,305,089
<i>Noncurrent Assets</i>			
Fixed assets net of accumulated depreciation	4,069,214	4,056,810	8,126,024
Total Noncurrent Assets	4,069,214	4,056,810	8,126,024
Total Assets	4,711,149	4,719,964	9,431,113
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	22,004	1,950	23,954
Accrued wages and benefits	3,718	4,385	8,103
Current portion of long-term debt	70,000	38,041	108,041
Due to other funds	14,744	3,115	17,859
Total Current Liabilities	110,466	47,491	157,957
<i>Noncurrent Liabilities</i>			
Bonds and loans payable	41,097	3,084,145	3,125,242
Bonds to be paid from restricted assets	173,903	--	173,903
Total Noncurrent Liabilities	215,000	3,084,145	3,299,145
Total Liabilities	325,466	3,131,636	3,457,102
Net Assets			
<i>Restricted for:</i>			
Invested in fixed assets net of related debt	3,784,214	934,625	4,718,839
Debt service and asset replacement	520,572	220,364	740,936
<i>Unrestricted</i>	80,897	433,339	514,236
Total Net Assets	\$ 4,385,683	\$ 1,588,328	\$ 5,974,011



Village of Armada
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended March 31, 2008

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenues			
Sales	\$ 293,838	\$ 396,869	\$ 690,707
Miscellaneous revenue	--	1,692	1,692
Total Operating Revenues	<u>293,838</u>	<u>398,561</u>	<u>692,399</u>
Operating Expenses			
Water operations	--	257,037	257,037
Sewer operations	482,481	--	482,481
Total Operating Expenses	<u>482,481</u>	<u>257,037</u>	<u>739,518</u>
Operating Income	<u>(188,643)</u>	<u>141,524</u>	<u>(47,119)</u>
Non-Operating Revenues (Expenses)			
Debt service revenue	71,809	44,557	116,366
Interest revenue	18,453	4,865	23,318
Interest expense	(9,325)	(69,778)	(79,103)
Net Non-Operating Revenues (Expenses)	<u>80,937</u>	<u>(20,356)</u>	<u>60,581</u>
Income Before Contributions and Transfers	<u>(107,706)</u>	<u>121,168</u>	<u>13,462</u>
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--
Change in Net Assets	<u>(107,706)</u>	<u>121,168</u>	<u>13,462</u>
Net Assets at Beginning of Period	<u>4,493,389</u>	<u>1,467,160</u>	<u>5,960,549</u>
Net Assets at End of Period	<u>\$ 4,385,683</u>	<u>\$ 1,588,328</u>	<u>\$ 5,974,011</u>

**Village of Armada
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2008**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<i>Cash Flows From Operating Activities:</i>			
Receipts from customers	\$ 298,127	\$ 376,776	\$ 674,903
Payments to suppliers	(271,894)	(96,618)	(368,512)
Payments to employees	(13,758)	(46,541)	(60,299)
Other receipts (payments)	-	1,692	1,692
<i>Net Cash Provided By Operating Activities</i>	<u>12,475</u>	<u>235,309</u>	<u>247,784</u>
<i>Cash Flows From Capital and Related Financing Activities:</i>			
Acquisition of capital assets	(9,162)	(5,120)	(14,282)
Principal paid on bonds	(185,000)	(165,000)	(350,000)
Interest and paying agent fees paid on revenue bonds	(12,025)	(70,024)	(82,049)
Debt service charges	71,809	44,557	116,366
<i>Net Cash Used In Capital and Related Financing Activities</i>	<u>(134,378)</u>	<u>(195,587)</u>	<u>(329,965)</u>
<i>Cash Flows From Investing Activities:</i>			
Interest on investments	18,017	5,302	23,319
<i>Net Cash Provided By Investing Activities</i>	<u>18,017</u>	<u>5,302</u>	<u>23,319</u>
<i>Net Increase (Decrease) In Cash and Cash Equivalents</i>	<u>(103,886)</u>	<u>45,024</u>	<u>(58,862)</u>
Cash and Cash Equivalents at April 1, 2007	606,796	458,699	1,065,495
<i>Cash and Cash Equivalents At March 31, 2008</i>	<u>\$ 502,910</u>	<u>\$ 503,723</u>	<u>\$ 1,006,633</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</i>			
Operating income (loss)	\$ (188,643)	\$ 141,524	\$ (47,119)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation and amortization	174,561	117,025	291,586
<i>Change in assets and liabilities:</i>			
Accounts receivable	4,289	(6,755)	(2,466)
Due from other funds	-	(13,338)	(13,338)
Other assets	(94)	326	232
Accounts payable	19,601	(632)	18,969
Due to other funds	2,533	(2,329)	204
Accrued wages and vacation	228	(512)	(284)
<i>Net Cash Provided By Operating Activities</i>	<u>\$ 12,475</u>	<u>\$ 235,309</u>	<u>\$ 247,784</u>



**Village of Armada
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2008**

	<u>Agency</u>
	<u>Tax Fund</u>
Assets	
Cash and cash equivalents	\$ 3,178
Investments	139,387
Total Assets	<u>142,565</u>
Liabilities	
Due to other funds	142,565
Total Liabilities	<u>142,565</u>
Net Assets	
Held in Trust	<u>\$ --</u>



Village of Armada
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property taxes	\$ 408,660	\$ 408,660	\$ 437,353	\$ 28,693
Distributions from State	161,562	161,562	159,866	(1,696)
Distributions from other governments	36,000	36,000	8,516	(27,484)
Licenses, fines, permits, and fees	17,302	17,550	36,177	18,627
Miscellaneous revenues	31,000	31,000	33,196	2,196
Interest revenue	12,000	12,000	14,025	2,025
Administrative charges	19,740	19,740	19,422	(318)
Intergovernmental reimbursements	25,000	25,000	32,288	7,288
Total Revenues	711,264	711,512	740,843	29,331
Other Financing Sources				
Proceeds from loans	—	—	53,098	53,098
Total Revenues and Other Financing Sources	711,264	711,512	793,941	82,429
Expenditures				
Trustees	21,000	21,000	13,000	8,000
General government	61,650	61,650	55,264	6,386
Village president	6,000	6,000	4,400	1,600
Clerk	70,545	70,545	67,217	3,328
Treasurer	32,135	32,135	32,096	39
Police	362,062	362,062	350,337	11,725
Inspections	7,600	7,600	12,077	(4,477)
Planning commission	5,150	5,150	2,243	2,907
Cable commission	1,200	1,200	1,000	200
Public works	76,582	76,582	94,375	(17,793)
Recreation	20,100	20,100	17,641	2,459
Insurance and miscellaneous	66,755	66,755	69,973	16,782
Debt interest	6,706	6,706	8,800	(2,094)
Debt principal	34,535	34,535	39,553	(5,018)
Total Expenditures	792,020	792,020	767,976	24,044
Other Financing Uses				
Transfers to other funds	8,650	8,650	—	8,650
Total Expenditures and Other Financing Uses	800,670	800,670	767,976	32,694
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(89,406)	(89,158)	25,965	115,123
Fund Balance at Beginning of Period	451,221	451,221	451,221	—
Fund Balance at End of Period	\$ 361,815	\$ 362,063	\$ 477,186	\$ 115,123

Village of Armada
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Street Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State	\$ 71,151	\$ 71,151	\$ 69,014	\$ (2,137)
Miscellaneous revenues	—	—	2,000	2,000
Interest revenue	200	200	263	63
Total Revenues	<u>71,351</u>	<u>71,351</u>	<u>71,277</u>	<u>(74)</u>
Other Financing Sources				
Transfers from component units	—	—	7,553	7,553
Transfers from other funds	15,000	15,000	19,000	4,000
Total Revenues and Other Financing Sources	<u>86,351</u>	<u>86,351</u>	<u>97,830</u>	<u>11,479</u>
Expenditures				
General government	3,176	3,176	4,106	(930)
Highways and streets	141,505	141,505	63,115	78,390
Total Expenditures	<u>144,681</u>	<u>144,681</u>	<u>67,221</u>	<u>77,460</u>
Other Financing Uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures and Other Financing Uses	<u>144,681</u>	<u>144,681</u>	<u>67,221</u>	<u>77,460</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(58,330)</u>	<u>(58,330)</u>	<u>30,609</u>	<u>88,939</u>
Fund Balance at Beginning of Period	<u>35,888</u>	<u>35,888</u>	<u>35,868</u>	<u>—</u>
Fund Balance at End of Period	<u>\$ (22,442)</u>	<u>\$ (22,442)</u>	<u>\$ 66,497</u>	<u>\$ 88,939</u>



Village of Armada
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Street Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Distributions from State	\$ 26,334	\$ 26,334	\$ 25,903	\$ (431)
Interest revenue	30	30	69	39
Total Revenues	<u>26,364</u>	<u>26,364</u>	<u>25,972</u>	<u>(392)</u>
Other Financing Sources				
Transfers from other funds	195,000	195,000	89,000	(106,000)
Total Revenues and Other Financing Sources	<u>221,364</u>	<u>221,364</u>	<u>114,972</u>	<u>(106,392)</u>
Expenditures				
General government	3,264	3,264	2,590	674
Highways and streets	238,865	238,865	65,358	173,507
Total Expenditures	<u>242,129</u>	<u>242,129</u>	<u>67,948</u>	<u>174,181</u>
Other Financing Uses	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures and Other Financing Uses	<u>242,129</u>	<u>242,129</u>	<u>67,948</u>	<u>174,181</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(20,765)	(20,765)	47,024	67,789
Fund Balance at Beginning of Period	5,230	5,230	5,230	--
Fund Balance at End of Period	<u>\$ (15,535)</u>	<u>\$ (15,535)</u>	<u>\$ 52,254</u>	<u>\$ 67,789</u>

Village of Armada
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Municipal Street Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Property taxes	\$ 170,000	\$ 170,000	\$ 174,769	\$ 4,769
Miscellaneous revenues	20,000	20,000	1,823	(18,177)
Interest revenue	2,000	2,000	5,479	3,479
Total Revenues	<u>192,000</u>	<u>192,000</u>	<u>182,071</u>	<u>(9,929)</u>
Other Financing Sources				
Transfers from other funds	--	--	3,000	3,000
Total Revenues and Other Financing Sources	<u>192,000</u>	<u>192,000</u>	<u>185,071</u>	<u>(6,929)</u>
Expenditures				
General government	1,000	1,000	984	16
Highways and streets	75,000	75,000	37,322	37,678
Total Expenditures	<u>76,000</u>	<u>76,000</u>	<u>38,306</u>	<u>37,694</u>
Other Financing Uses				
Transfers to other funds	210,000	210,000	108,000	102,000
Total Expenditures and Other Financing Uses	<u>286,000</u>	<u>286,000</u>	<u>146,306</u>	<u>139,694</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(94,000)	(94,000)	38,765	132,765
Fund Balance at Beginning of Period	336,107	336,107	336,107	--
Fund Balance at End of Period	<u>\$ 242,107</u>	<u>\$ 242,107</u>	<u>\$ 374,872</u>	<u>\$ 132,765</u>



**Village of Armada
Notes to Financial Statements
March 31, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES: The Village of Armada covers an area of one square mile. The Village operates under an elected President, Clerk, Treasurer, and Board of six Trustees and provides services, including law enforcement, to its residents (approximately 1,700).

REPORTING ENTITY: The financial reporting entity consists of the primary government of the Village of Armada and its discretely presented component unit. GASB Statement No. 14, as amended by GASB 39, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the Downtown Development Authority has been determined to be a component unit of the Village of Armada. The Village Board appoints the governing body of this entity.

During the year ended March 31, 2008, the Downtown Development Authority contributed \$3,000 to the Municipal Street Fund and \$7,553 to the Major Street Fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied and become a lien on the following July 1. These taxes are due on September 14, with a final collection date of February 28, before they are added to the county tax rolls.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

GENERAL FUND - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

SPECIAL REVENUE FUNDS - The Major Street Fund, Local Street Fund, and Municipal Street Fund are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

ENTERPRISE FUNDS - The Water Supply and Sewage Disposal System Funds report operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.



**Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS

BANK DEPOSITS AND INVESTMENTS: Cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired are considered to be cash and cash equivalents. Investments are stated at fair value. Sewer Fund cash for Statement of Cash Flows excludes \$44,086 deposited in a long-term certificate of deposit.

RECEIVABLES AND PAYABLES: In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$3,987.

INVENTORIES AND PREPAID ITEMS: Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements only.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Infrastructure assets acquired prior to April 1, 2003, have not been capitalized and are omitted from the Statement of Net Assets.

Assets are depreciated using the straight-line method over the following useful lives:

Buildings	20 years
Water and Sewer System	20-40 years
Roads and Sidewalks	20 years
Machinery and Equipment	5-10 years
Water and Sewer Plant and Equipment	20 years

COMPENSATED ABSENCES: It is the policy of the Village to permit employees to accumulate a limited amount of earned, but unused, vacation leave. This leave will be paid upon separation from Village service. In governmental funds, accrued vacation leave has been recorded when paid. Proprietary funds accrue vacation leave in the period it is earned. Employees can accumulate up to 30 sick days. Upon termination, a formula is used to determine the unused sick days to be paid. Any amounts earned and unused above 30 days are paid annually each April 1.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



**Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the policy of the Village to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended by the Village Council, were adopted at the departmental level and are shown in the supplemental schedules to this statement. Budget amendments require approval from a majority of the Village Council. Actual expenditures exceeded those budgeted as follows:

<u>General Fund</u>	
Inspections	\$ 4,477
Public Works	17,793
Debt Service	7,112

<u>Major Street Fund</u>	
General Government	\$ 930

NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the Village of Armada Treasurer. Michigan Act 20 P.A. 1943 allows a village to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities.
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan.
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days.
4. U.S. or agency repurchase agreements.
5. Mutual funds - investments which local unit can make directly.
6. Bankers' acceptances of U.S. banks.
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 3: CASH AND INVESTMENTS (Continued)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Village are in accordance with statutory authority.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash," "Investments," and "Restricted assets."

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of March 31, 2008, \$1,414,632 of the government's bank balance of \$1,709,305 was exposed to custodial credit risk as follows:

	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
<u>Deposits</u>				
Demand deposits	\$100,000	\$1,375,195	\$1,453,540	\$1,475,195
Certificate of deposit	194,723	39,387	233,110	234,110
Cash on hand	--	50	50	--
	<u>\$294,723</u>	<u>\$1,414,632</u>	<u>\$1,686,700</u>	<u>\$1,709,305</u>

Investments

As of March 31, 2008, the Village had the following investments:

<u>Description</u>	<u>Fair Value</u>
LaSalle Bank Public Funds Investment Trust Mutual Fund	<u>\$424,279</u>

Interest Rate Risk: The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Village made no investments that have market value risk during the current fiscal year.

Credit Risk: State law limits investments as stated above. The Village's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the Village Treasurer.

Concentration of Credit Risk: The Village places no limit on the amount the Village may invest in any one issuer. 100% of the Village's investments are with LaSalle Bank Public Funds Investment Trust Mutual Fund. \$77,609 of these investments are reported in the Municipal Street Fund and \$346,670 are reported in the Sewer Fund. These are mutual funds whose investments are limited to those allowed by statute.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 4: RESTRICTED ASSETS, RELATED CURRENT LIABILITIES, AND RESTRICTED NET ASSETS - PROPRIETARY FUNDS

The Village has two ordinances requiring the collection of fees for specific use. Accumulated resources are reported as restricted investments and restricted assets on the balance sheet.

	<u>Sewer</u>
1987 and 1991 Sewer Ordinances:	
Debt service	\$173,903
Asset replacement account	<u>346,669</u>
Restricted Net Assets at March 31, 2008	<u>\$520,572</u>

\$220,364 of Water Fund assets are restricted for use in the construction of a new water treatment facility and payment of the related bond.

In addition, \$495,671 is restricted for the maintenance and construction of highways and streets in the Governmental Activities.

NOTE 5: FIXED ASSETS

Governmental Activities Fixed Assets

A summary of changes in governmental fixed assets follows:

	Balance <u>3/31/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3/31/08</u>
Land	\$ 221,234	\$ --	\$ --	\$ 221,234
Buildings	180,441	--	--	180,441
DPW equipment	253,746	--	--	253,746
Police Department equipment	179,941	71,970	--	251,911
Highway maintenance equipment	80,173	--	--	80,173
Streets	1,258,035	282,290	--	1,540,325
Administration equipment	46,035	1,412	--	47,447
Inspections	1,995	--	--	1,995
Parks	--	15,775	--	15,775
	<u>\$2,221,600</u>	<u>\$371,477</u>	<u>\$ --</u>	2,593,047
Less: accumulated depreciation				(775,187)
				<u>\$1,817,860</u>

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Public Safety	\$ 21,936
Public Works	95,625
General Government	14,847
Parks	789
Total	<u>\$133,197</u>



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 5: FIXED ASSETS (Continued)

Water Supply and Sewage Disposal Systems

A summary of the Water Supply and Sewage Disposal System's fixed assets follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>		
	<u>Village</u>	<u>Village</u>	<u>Capitalized</u>	
	<u>Assets</u>	<u>Assets</u>	<u>Leases</u>	<u>Total</u>
Land	\$ --	\$ 8,567	\$ --	\$ 8,567
Machinery and equipment	156,418	160,941	--	317,359
Plant, property, and equipment	4,596,506	1,740,808	--	6,337,314
Capitalized lease	--	--	5,279,503	5,279,503
Total	4,752,924	1,910,316	5,279,503	11,942,743
Less: accumulated depreciation	(696,114)	(748,056)	(2,372,549)	(3,816,719)
	<u>\$4,056,810</u>	<u>\$1,162,260</u>	<u>\$2,906,954</u>	<u>\$ 8,126,024</u>

Summary of changes in proprietary fund fixed assets:

	<u>Balance</u>		<u>Balance</u>
	<u>3/31/07</u>	<u>Additions</u>	<u>3/31/08</u>
Land	\$ 8,567	\$ --	\$ 8,567
Machinery and equipment	303,077	14,282	317,359
Plant, property, and equipment	6,337,314	--	6,337,314
Capitalized lease	5,279,503	--	5,279,503
	<u>\$11,928,461</u>	<u>\$14,282</u>	<u>11,942,743</u>
Less: accumulated depreciation			(3,816,719)
			<u>\$ 8,126,024</u>

Depreciation included in operating expenses for the period amounted to \$117,025 in the Water Fund and \$174,561 (including capitalized lease amortization of \$126,074) in the Sewer Fund. Depreciation is being calculated using the straight-line method over a period of 5-40 years. Accumulated depreciation includes accumulated amortization on capitalized leases of \$2,246,469.

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS

LEASE PURCHASE AGREEMENTS - GENERAL OBLIGATION

The Village entered into a contract with Macomb County for the acquisition and construction of a sewer separation system under Act No. 342, Public Acts of Michigan, 1939, as amended. The County has issued \$1,170,000 in bonds purchased by the Michigan Municipal Bond Authority, secured primarily by the full faith and credit contractual obligation of the Village of Armada. The County shall be the owner of the facility and lease to the Village for a period not to exceed 40 years or when the bonds are retired, whichever is earlier. Annual lease payments are the amounts necessary to pay the interest, principal, and agent fees according to the bond maturity schedule.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS (Continued)

The minimum future lease payments, excluding agent fees, are \$299,400. The minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Total Annual Requirement</u>
March 31, 2009	4/1/08	\$2,850	10/1/08	\$72,850	\$ 75,700
March 31, 2010	4/1/09	2,150	10/1/09	72,150	74,300
March 31, 2011	4/1/10	1,450	10/1/10	71,450	72,900
March 31, 2012	4/1/11	750	10/1/11	75,750	76,500
Total Future Minimum Lease Payments					299,400
Less: Imputed Interest					(14,400)
Net Present Value of Future Minimum Lease Payments					<u>\$285,000</u>

In November of 2004, the Village issued bonds in the amount of \$3,384,775 to acquire and construct water supply improvements. These bonds bear interest at 2.125% and are due in October of 2024. The proceeds of these bonds are to be used to pay for the cost of a new water filtration plant.

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS ON BONDS

<u>Payable In Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ --	\$ 68,101	\$ 68,101
2010	170,000	64,541	234,541
2011	175,000	60,875	235,875
2012	175,000	57,157	232,157
2013	180,000	53,384	233,384
2014-2024	<u>2,422,186</u>	<u>265,475</u>	<u>2,687,661</u>
	<u>\$3,122,186</u>	<u>\$569,533</u>	<u>\$3,691,719</u>

The Village entered into a lease purchase agreement for a 2004 F-750 dump truck. The minimum lease payments are as follows:

	<u>Fiscal Year</u>	<u>Due Date</u>	<u>Total Annual Requirements</u>
Dump Truck	March 31, 2009	7/15/08	<u>\$14,829</u>

The Village entered into a lease purchase agreement for two Dodge Charger police vehicles. The minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Due Date</u>	<u>Total Annual Requirements</u>
March 31, 2009	2/08/09	\$19,091
March 31, 2010	2/08/10	<u>19,091</u>
Total Future Minimum Lease Payments		38,182
Less: Imputed Interest		(4,175)
Net Present Value of Future Minimum Lease Payments		<u>\$34,007</u>



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS (Continued)

In January of 2005, the Village entered into an installment purchase agreement in the amount of \$150,000. This agreement bears interest at 5.05%, requires semiannual payments of \$7,216, matures January 15, 2020, is due to Fifth Third Bank, and is secured by a mortgage on land. The balance due at March 31, 2008, was \$127,701.

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS ON INSTALLMENT LOAN

Payable In Fiscal Year Ending March 31	Principal	Interest	Total
2009	\$ 8,084	\$ 6,348	\$ 14,432
2010	8,498	5,934	14,432
2011	8,932	5,500	14,432
2012	9,389	5,043	14,432
2013	9,869	4,563	14,432
2014-2020	<u>82,929</u>	<u>16,273</u>	<u>99,202</u>
	<u>\$127,701</u>	<u>\$43,661</u>	<u>\$171,362</u>

CHANGE IN INDEBTEDNESS

	Payable 3/31/07	Increase	(Decrease)	Payable 3/31/08
Capitalized lease obligation	\$ 350,000	\$ --	(\$ 65,000)	\$ 285,000
Capitalized lease obligation	120,000	--	(120,000)	--
DWRF Construction note	<u>3,287,186</u>	--	(165,000)	<u>3,122,186</u>
Total Proprietary Funds Debt	<u>3,757,186</u>	--	(350,000)	<u>3,407,186</u>
Installment loan	135,392	--	(7,691)	127,701
Capitalized lease - two police cars	--	53,098	(19,091)	34,007
Capitalized lease - dump truck	<u>26,535</u>	--	(12,773)	<u>13,762</u>
Total Governmental Activities Debt	<u>161,927</u>	<u>53,098</u>	<u>(39,555)</u>	<u>175,470</u>
Total Indebtedness	<u>\$3,919,113</u>	<u>\$53,098</u>	<u>(\$389,555)</u>	<u>\$3,582,656</u>

Total interest expense for the Village for the year was \$87,903.

DEBT MARGIN

Michigan Compiled Law limits indebtedness incurred by villages to 10% of the total taxable value of the village. For the fiscal year 07/08, the taxable value of the Village of Armada was \$47,595,722; therefore, the legal debt margin is \$4,759,572.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds," "Due to other funds," or "Restricted assets" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
Local Street Fund	\$ 5,590		
Water Fund	10,768		
Major Street Fund	3,969		
Municipal Street Fund	<u>36,212</u>		
	<u>\$56,539</u>	General Fund	<u>\$56,539</u>
Water Fund	\$24,313		
General Fund	1,286		
Municipal Street Fund	<u>78</u>		
	<u>\$25,677</u>	Major Street Fund	<u>\$25,677</u>
General Fund	<u>\$ 2,691</u>	Local Street Fund	<u>\$ 2,691</u>
Sewer Fund	\$ 2,875		
General Fund	<u>240</u>		
	<u>\$ 3,115</u>	Water Fund	<u>\$ 3,115</u>
Water Fund	\$14,726		
General Fund	<u>18</u>		
	<u>\$14,744</u>	Sewer Fund	<u>\$14,744</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

NOTE 8: INTERFUND TRANSFERS

Operating transfers during the year ended March 31, 2008, are as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
Local Street Fund	\$ 89,000		
Major Street Fund	<u>19,000</u>		
	<u>\$108,000</u>	Municipal Street Fund	<u>\$108,000</u>

These transfers have been eliminated in the entity-wide Statement of Activities.

The above transfers were made to provide various permissible interfund subsidies and reimbursements.



Village of Armada
Notes to Financial Statements
(Continued)
March 31, 2008

NOTE 9: DEFERRED COMPENSATION PLAN

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Village's legal counsel that the Village has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

NOTE 10: CONTINGENT LIABILITIES

The Sewer Fund is billed annually for the operations of the sewer plant which is currently under contract with an independent company. An estimated payment is made monthly with an annual determination in June of each year of any additional amounts due. No amount has been recorded at March 31, 2008, and an annual determination has not been computed.

The Village has been named in a lawsuit involving a developer. The developer claims that the Village is responsible for the repair of certain roadways. Residents of the Village have filed two lawsuits against the Village. The residents allege wrongdoing and conspiracy. Any potential liability as a result of these suits is not determinable at this time. No liability or reserve has been recorded for these suits as of March 31, 2008.

NOTE 11: RISK FINANCING

The Village of Armada is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



SUPPLEMENTAL INFORMATION

**Village of Armada
Combining Statement of Net Assets
Component Units
March 31, 2008**

	Downtown Development Authority	Total Component Units
Assets		
Cash and cash equivalents	\$ 159,697	\$ 159,697
Fixed assets net of accumulated depreciation	11,988	11,988
Bond issuance cost	11,444	11,444
Bond discount	5,557	5,557
Total Assets	188,686	188,686
Liabilities		
Due to other units and taxpayers	5,153	5,153
Current portion of long-term debt	5,000	5,000
Bonds and loans payable	385,000	385,000
Total Liabilities	395,153	395,153
Net Assets		
Unrestricted	(206,467)	(206,467)
Total Net Assets	\$ (206,467)	\$ (206,467)



**Village of Armada
Combining Statement of Activities
Component Units
For the Year Ended March 31, 2008**

	Downtown Development Authority	Total Component Units
Expenses		
General government	\$ 299,724	\$ 299,724
Highways and streets	10,553	10,553
Total Expenses	<u>310,277</u>	<u>310,277</u>
Program Revenues		
Charges for services	--	--
Operating grants and contributions	--	--
Capital grants and contributions	--	--
Total Program Revenues	<u>--</u>	<u>--</u>
Net Program Revenues (Expenses)	<u>(310,277)</u>	<u>(310,277)</u>
General Revenue		
Property taxes	24,438	24,438
Miscellaneous revenue	7,070	7,070
Interest and dividend revenue	6,698	6,698
Total General Revenues	<u>38,206</u>	<u>38,206</u>
Change in Net Assets	<u>(272,071)</u>	<u>(272,071)</u>
Net Assets at Beginning of Period	65,604	65,604
Net Assets at End of Period	<u>\$ (206,467)</u>	<u>\$ (206,467)</u>



**McBride, Manley
& Miller P.C.**

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

July 15, 2008

Village Council
Village of Armada
Armada, MI 48005

Honorable Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Armada's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1. Incorrect cutoff of purchases – Invoices are not always dated correctly in the general ledger.
2. The Village relies on the auditor to make significant adjustments to the general ledger in order to comply with Generally Accepted Accounting Principles. Also, the Village relies on the auditor to prepare GAAP financial statements.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the above findings are material weaknesses.

This communication is intended solely for the information and use of management, Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

MCBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants



McBride, Manley & Miiller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

July 15, 2008

Village Council
Village of Armada
Armada, MI 48005

Honorable Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada for the year ended March 31, 2008, and have issued our report thereon dated July 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 11, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Armada are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of useful lives on capital assets is based on class life tables that are published by the IRS. The Village's capitalization policy is disclosed in Note 1. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation associated with these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See attached for the misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Armada and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



MCBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants





McBride, Manley & Miiller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

July 15, 2008

Village Council
Village of Armada
Armada, Michigan 48005

Honorable Members:

We have examined the financial statements of the Village of Armada for the year ended March 31, 2008, and have issued our report thereon dated July 15, 2008. Our examination included a study and evaluation of internal control to the extent we considered necessary in order to establish a basis for reliance on the accounting records. The following areas of internal accounting control could be improved, and we feel they warrant your consideration.

PAYROLL

During our testing of payroll, there were instances where time cards were not signed by supervisors and there was an instance where the withholding exemption in QuickBooks did not agree to an employee's W-4. All time cards should be approved by supervisors and withholdings should be consistent with each employee's W-4.

PURCHASES

During our examination, we noted several vendor invoices that bore no indication that the footings and extensions had been verified prior to payment. The mathematical accuracy of vendor invoices should be verified prior to payment, and an indication of this procedure should appear on all paid invoices. We noted that voided checks are not being properly defaced. The signature block on all voided checks should be destroyed to assure that they are not used by unauthorized people. We also noted that incorrect dates were used when entering invoices. Invoices should be entered as the date a particular service was performed or when goods were physically received, if applicable.

CASH RECEIPTS

During our examination, we noted instances where deposits were not made in a timely manner. Generally, deposits should be made daily and clear the bank within two or three days.

HYDRANT RENTAL

During our audit, we noted that the hydrant rental from the Water Fund to the General Fund was recorded as a transfer. In the future, this amount should be recorded as Hydrant Rental Revenue in the Water Fund and as an expense in the General Fund.

BUDGETS

During the past fiscal year, the Village was in violation of Public Act 621 of 1978 of the State of Michigan. This Act requires that expenditures not be in excess of amounts appropriated. Expenditures should be reviewed and appropriated by the Council prior to being incurred. This requires periodic review of expenditures compared to amounts budgeted during the year, and approving budget amendments as needed.

GENERAL

The payroll account is earning interest. When interest is received on this account, it should be transferred to the general checking account and recorded in the General Fund.

CONCLUSION

This report is intended solely for the information and use of the Village Council, management, and others within the Village. The restriction is not intended to limit the distribution of this report which is a matter of public record. We would like to express our appreciation and thanks to the Village officials and employees for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementations.

Respectfully submitted,



MCBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants

